

TOWN OF PETERBOROUGH, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Peterborough
Peterborough, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Peterborough as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Peterborough, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I.B.5. to the financial statements, in fiscal year 2015, the School District adopted new accounting guidance regarding the accounting and reporting for pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other post-employment benefits schedule of funding progress, schedule of the Town's proportionate share of the net pension liability, and the schedule of Town contributions on pages 3-12 and 50 - 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational and economic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining nonmajor and individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor and individual general fund schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and individual general fund schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

March 21, 2016

Roberts & Heune, PLLC

As management of the Town of Peterborough, New Hampshire, we offer readers of the Town of Peterborough's financial statements this narrative overview and analysis of the financial activities of the Town of Peterborough for the fiscal year starting July 1, 2014 and ending June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information in the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Peterborough's basic financial statements. The basic financial statements comprise of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements- The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the Town's finances utilizing the full accrual method of accounting in a manner similar to a private-sector business.

The statement of net position presents information on all assets and liabilities, including capital assets and long-term liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety (fire, police, & ambulance), highway and streets, sanitation, health & welfare, parks and recreation, conservation and library. The business-type activities include water and sewer activities.

Fund Financial Statements- The fund financial statements focus on current available resources and are organized and operated on the basis of funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

A twelve month appropriated budget is adopted for the General Fund and certain non-major governmental (special revenue) funds. Budgetary comparison statements have been provided to demonstrate compliance with budgets for the General Fund.

Proprietary Funds- Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and sewer operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, which are considered to be major funds.

Fiduciary Funds- Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information- In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that is required to be disclosed by the *Governmental Accounting Standards Board (GASB)*.

FINANCIAL HIGHLIGHTS

The assets of the Town of Peterborough exceeded its liabilities at the close of the most recent fiscal year by \$26,903,775 (i.e., net position), a decrease of \$5,202,038 in comparison to the prior year restated net position. Of the net position amount, \$1,374,761 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. See Government-wide Financial Analysis for explanation.

At the close of the current fiscal year, the Town of Peterborough's governmental funds reported combined ending fund balances of \$8,917,353 an increase of \$179,733 in comparison with the prior year restated fund balances. Approximately \$8,596,989 is the reserve of fund balance; \$3,299,915 is the non-spendable fund balance; \$2,129,551 is the restricted fund balance; \$2,872,117 is the committed fund balance; and \$295,406 is the assigned fund balance. The remaining \$320,364 is the General Fund unassigned fund balance, an increase of \$97,975 in comparison to the prior year. A breakdown of fund equity by fund and activity is detailed in the notes to the financial statements.

At the close of the current fiscal year, the Town's total long-term debt was \$17,040,721, an increase of \$1,595,597 in comparison to the prior year. The key factor for the increase is the net of the payments made on the Town's existing loans and the new bond on the Union Street Capital Project.

Due to the requirements of GASB 68 effective June 30, 2015, the Town is required to record the Town's proportionate share of the net NHRS pension liability. The reported net pension liability for the Town is \$4,936,991. A more detailed explanation is in the notes to the financial statements (IV.B).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of government-wide financial data for the current and the prior fiscal year. Unearned revenue is now reported separate from liabilities in accordance with GASB 65.

	Governmental Activities		Business-Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Current and Other Assets	\$18,634,585	\$19,287,491	\$2,621,106	\$2,464,790	\$21,255,691	\$21,752,281
Capital Assets	<u>17,314,392</u>	<u>19,406,477</u>	<u>18,614,348</u>	<u>18,113,048</u>	<u>35,928,740</u>	<u>37,519,525</u>
Total Assets	<u>\$35,948,977</u>	<u>\$38,693,968</u>	<u>\$21,235,454</u>	<u>\$ 20,577,838</u>	<u>\$57,184,431</u>	<u>\$59,271,806</u>
Deferred Outflows of Resources	-	<u>\$453,721</u>	-	<u>\$36,866</u>	-	<u>\$490,587</u>
Long-term Liabilities Outstanding	\$6,221,335	\$12,786,041	\$9,223,789	\$9,191,671	\$15,445,124	\$21,977,712
Other Liabilities	<u>295,724</u>	<u>497,612</u>	<u>273,735</u>	<u>389,127</u>	<u>573,459</u>	<u>886,739</u>
Total Liabilities	<u>\$6,517,059</u>	<u>\$13,283,653</u>	<u>9,501,524</u>	<u>\$9,580,798</u>	<u>\$16,018,583</u>	<u>\$22,864,451</u>
Deferred Inflows of Resources	<u>\$8,951,553</u>	<u>\$9,834,715</u>	<u>\$108,482</u>	<u>\$108,482</u>	<u>\$9,060,035</u>	<u>\$9,060,035</u>
Net Position:						
Invested in Capital Assets, Net	\$13,733,410	\$11,031,396	\$9,453,365	\$9,280,697	\$23,186,775	\$20,312,093
Restricted	4,509,865	4,919,921	297,000	297,000	4,806,865	5,216,921
Unrestricted	<u>2,237,090</u>	<u>78,004</u>	<u>1,875,083</u>	<u>1,296,757</u>	<u>4,112,173</u>	<u>1,374,761</u>
Total Net Position	<u>\$20,480,365</u>	<u>\$16,029,321</u>	<u>\$11,625,448</u>	<u>\$10,874,454</u>	<u>\$32,105,813</u>	<u>\$26,903,775</u>
Revenues:						
Program Revenues:						
Charges for Services	\$1,444,133	\$1,512,874	\$1,902,097	\$1,907,754	\$3,346,230	\$3,420,628
Operating Grants and Contributions	1,040,626	690,731	334,031	1,502,791	1,374,657	2,193,522
Capital Grants and Contributions	41,701	233,098	-	-	41,701	233,098
General Revenues:						
Property Taxes	5,396,636	6,034,587	-	-	5,396,636	6,034,587
Other Taxes	221,792	170,676	-	-	221,792	170,676
Licenses and Permits	992,967	1,044,517	-	-	992,967	1,044,517
Grants & Contributions not restricted to Specific Programs	318,674	363,594	-	-	318,674	363,594
Transfers	17,500	17,500	(17,500)	(17,500)	-	-
Other	<u>570,107</u>	<u>498,864</u>	<u>4,013</u>	<u>5,902</u>	<u>574,120</u>	<u>504,766</u>
Total Revenues	<u>\$10,044,136</u>	<u>\$10,566,441</u>	<u>\$2,222,641</u>	<u>\$3,398,947</u>	<u>\$12,266,777</u>	<u>\$13,965,388</u>

	Governmental Activities		Business-Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Expenses:						
General Government	\$1,926,558	\$2,092,729	\$ -	\$ -	\$1,926,558	\$2,092,729
Public Safety	3,618,987	3,334,598	-	-	3,618,987	3,334,598
Highway & Streets	2,066,915	2,175,559	-	-	2,066,915	2,175,559
Sanitation	935,190	205,880	-	-	935,190	205,880
Welfare	118,083	127,252	-	-	118,083	127,252
Culture & Recreation	1,334,762	1,451,089	-	-	1,334,762	1,451,089
Conservation	61,219	13,126	-	-	61,219	13,126
Capital Outlay	72,389	244,433			72,389	244,433
Interest in long-term debt	145,371	186,641	-	-	145,371	186,641
Water operations	-	-	861,937	953,488	861,937	953,488
Sewer Operations	-	-	<u>1,628,368</u>	<u>2,640,599</u>	<u>1,628,368</u>	<u>2,640,599</u>
Total Expenses	<u>\$10,279,474</u>	<u>\$9,831,307</u>	<u>\$2,490,305</u>	<u>\$3,594,087</u>	<u>\$12,769,779</u>	<u>\$13,425,394</u>
Other Financing Sources-ins proceeds	334,263	-	-	-	334,263	-
Change in net position	98,925	\$735,134	\$(267,664)	\$(195,140)	\$(168,739)	\$539,994
Net Position-Beginning of Year (Restated)	<u>20,381,440</u>	<u>15,294,187</u>	<u>11,893,112</u>	<u>11,069,594</u>	<u>32,274,552</u>	<u>26,363,781</u>
Net Position-End of Year	<u>\$20,480,365</u>	<u>\$16,029,321</u>	<u>\$11,625,448</u>	<u>\$10,874,454</u>	<u>\$32,105,813</u>	<u>\$26,903,775</u>

As noted earlier-, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$ 26,903,775, a decrease of \$5,202,038 from the prior year.

The largest portion of the Town's net position, \$20,312,093 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens, consequently, these assets are not available for future spending. Although the Town of Peterborough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$5,216,921 represents resources that are subject to external restrictions on how they may be used. \$2,789,780 of this amount is the non-spendable endowments in the permanent funds (the Library Trust for \$1,022,951; Cemetery Trust for \$671,373 and the Welfare Trust for \$1,095,456); \$297,000 in the Sewer fund which is the transfer from the general fund to lower the impact of the sewer rates for the treatment plant bond; \$1,533,710 for various governmental funds (Library fund for \$1,071,832, Union Street Improvements fund for \$461,866, and Community Center Renovation fund for \$12); and \$596,431 in the expendable permanent funds (general government-\$319,663, public safety-\$261,098, and culture and recreation-\$15,670). The unrestricted net position amount of \$1,374,761, consist of \$670,809 in the water fund, \$625,948 in the sewer fund and \$78,004 in the governmental activities. In the governmental activities, there is \$1,579,212 in the unrestricted net position which is set aside for capital reserves-\$1,111,530, Town Expendable Trusts of \$47,201, Landfill Pollution Expendable Trust of \$290,916, Town Reclamation Trust of \$67,979 and Isabelle Miller Trust of \$61,586. These amounts are offset by the compensated absences and net pension liability.

The Government Accounting Standards Board issued GASB Statement 45 which addresses other post-employment benefits (OPEB) provided to terminated or retired employees and their dependents and beneficiaries. The Town recorded the post employment liability for 2015 in the amount of \$35,920 of which \$33,046 was for governmental activities and \$2,874 was for business activities.

At the end of the current fiscal year, the Town of Peterborough is able to report a positive balance for the government as a whole.

Governmental Activities: Governmental activities for the year resulted in an increase in net position of \$735,134. Key elements of this increase are as follows.

Net Change in fund balances of governmental funds	\$ 444,720
Net of Capital Outlay and Depreciation Expenses (Depreciation Expense exceeded Capital Outlay for Current Fiscal Year)	2,124,663
Net effect of capital assets decreasing net position	(32,578)
Prepaid not due until subsequent year	124,755
Revenues not considered available	(70,501)
Long-term debt which has no effect on net position	(2,212,244)
Expenses not required for use of current financial resources	191,658
Net of pension contributions and cost of pension benefits	<u>164,661</u>
Total	<u>\$ 735,134</u>

Business-Type Activities: Business-type activities for the year overall resulted in a decrease in net position of \$(195,140). The following is a summary of the increase in net position by fund:

Water	\$ 52,489
Sewer	<u>(247,629)</u>
Total	<u>\$ (195,140)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds- The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town of Peterborough's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8,917,353, an increase of \$179,733 in comparison with the restated fund balance in the prior year. The increase was due primarily to an increase in revenues in the permanent funds.

The General Fund is the chief operating fund of the Town of Peterborough. At the end of the current fiscal year, unassigned fund balance was \$320,364, while total fund balance was \$2,705,117. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>Change</u>	<u>Percent of Expenditures</u>
Unassigned Fund Balance	\$ 482,438	\$ 320,364	\$ (162,074)	3.4%
Total Fund Balance*	3,362,659	2,705,117	(657,542)	28.9%

Includes Capital Reserves, Town Expendable Trusts, Landfill Pollution Abatement Expendable Trust, Town Reclamation Trust, Isabelle Miller Trust, compensated absences and net pension liability.

The unassigned fund balance amount is less than the Town of Peterborough's Fiscal Policy minimum of five (5) percent of gross appropriations including town, county, school, and state. There are no significant limitations on the use of General Fund resources.

The total fund balance for the General Fund decreased in the amount of \$392,555 during the current fiscal year. Part of the change is that equity for July 1, 2014 was restated (see Note III.D). Key factors in this change are as follows:

Excess of Revenues over (under) Expenditures	\$ (812,048)
Other Financing Sources	<u>419,493</u>
	\$ <u><u>(392,555)</u></u>

Proprietary Funds- Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,296,757 a decrease of \$578,326 in comparison with the prior year. The unrestricted net position is \$670,809 in the water fund and \$625,948 in the sewer fund. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall variance in appropriations, of \$ 106,580. The increase in appropriations includes carryover of encumbrances. These changes resulted in no increase to the total original budget.

While the overall decrease in total expenditures for the year was minor, the expenditures by function were quite different as stated in the following table.

• General Government	\$ (51,993)
• Public Safety	\$ 8,947
• Highway and Streets	\$ (102,883)
• Sanitation	\$ 3,764
• Welfare	\$ 24,637
• Culture and Recreation	\$ 96,921
• Conservation	\$ 489
• Debt Service	\$ 74,834
• Capital Outlay	\$ 74,275
• Operating Transfer	<u>\$ (22,411)</u>
	<u>\$ 106,580</u>

On a GAAP basis notable expenditures in excess of budget is Highway and Streets \$(102,883) and General Government \$(51,993). Highway and Streets was a result of snow removal expenditures. General Government was a result of the upgrading of the Financial Management Software and Hardware from Unix to Windows which was offset by a transfer from Capital Reserve.

The notable revenue receipts in excess of budget are licenses, permits and fees \$69,652 and charge for services \$108,405. These two revenues offset the expenditures in highway and streets. The other

revenue receipts in excess of budget are taxes-\$7,643 and intergovernmental-\$6,612. Miscellaneous revenues did not meet the budget by \$(11,467) and Other Financing Sources -\$(18,416). In addition, the revenues reflect the fund balance of \$325,000 which was used to reduce the tax rate.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Total investment in capital assets for governmental and business-type activities at year-end amounted to \$37,519,526 (net of accumulated depreciation), an increase of \$1,590,786 from the prior year. The increase includes net of the depreciation and retirement of the capital assets and the addition of the Union Street Improvements Project. The Town of Peterborough's investment in capital assets for the current year was \$19,406,477 (51.7%) for governmental activities and \$18,113,049 (48.3%) for business activities. This investment in capital assets includes buildings, improvements, machinery, equipment, vehicles and infrastructures. Major capital asset events during the current fiscal year included the following:

Governmental Activities:

• \$ 338,479	2015 Mack Tanker - Fire
• \$ 120,411	2015 Mercedes Sprinter Van - Ambulance
• \$ 84,123	Public Parking Lot at Fire Station
• \$ 15,000	Thermal Imaging Camera - Fire
• \$ 37,750	2015 Ford Explorer - Police
• \$ 21,460	Generator - Police
• \$ 17,878	Roof – Police Building
• \$ 101,954	Vehicle Lift – Highway Garage
• \$ 12,650	Portable Compressor – Highway Garage
• \$ 55,000	Pellet Boiler – Community Center
• \$ 62,384	2015 Ford F-350 – Building & Grounds
• \$ 46,241	2014 Ford F-350 – Building & Grounds
• \$ 30,385	4 Street Lights – Grove Street
• \$1,763,773	CIP-Union Street Project and Union St. Bridge
• \$ 25,200	CIP-North Village Dam
• \$ 159,148	CIP-Main Street Bridge
• \$ 163,970	CIP-Community Center Renovations
• \$ 21,350	CIP-GAR/Riverwalk Project
• \$ 300,762	Other capital items and projects

Business Type Activities:

• \$ 5,900	Sump Pump – WWTP
• \$ 113,902	2015 Freightliner Dump Truck-W/WW
• \$ 21,200	Plow and Wing Plow-W/WW
• \$ 18,000	CIP-Summer Street Well

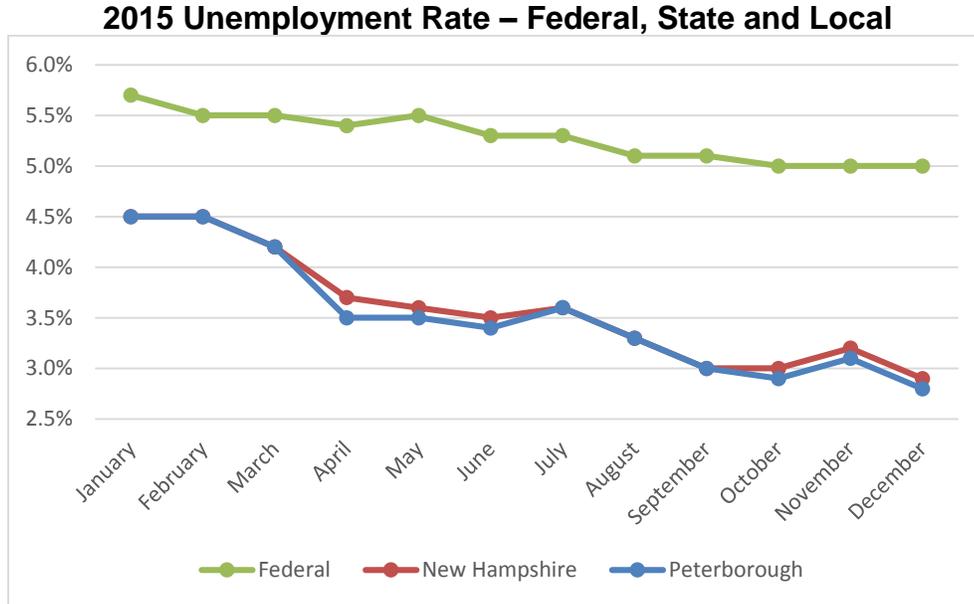
Long-term debt: At the end of the current fiscal year, total long-term debt outstanding on bonds and notes payable was \$17,040,721, all of which was backed by the full faith and credit of the Town of Peterborough. Of the total outstanding long-term debt, the amount of \$8,244,010 (48.4%) was for the governmental activities and the amount of \$8,796,711 (51.6%) was for business activities. The total long-term debt outstanding for the pensions is \$4,936,991.

Additional information on capital assets (Note III.A.3.), long-term debt (Note III.B.) and retirement pensions (Note IV.B.) can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget

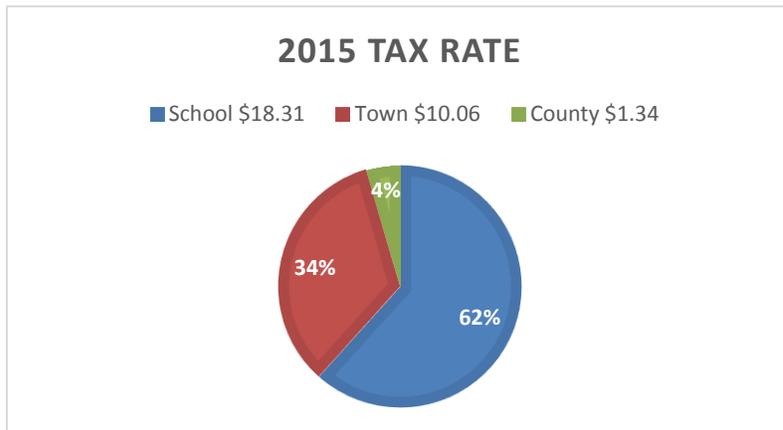
Employment:

By most standard measures, the local area employment has recovered from the recession. Area employers such as NHBB, MCH, RiverMead, and a wide variety of small businesses have helped to drive Peterborough's unemployment rate down below 3% by the close of 2015; a figure substantially lower than the national average. Coupled with a drop-off in welfare and general assistance claims for the third year in a row, these trends indicate that the economy, especially at the local level, is once again growing.



Source: NH Employment Security <http://www.nhes.nh.gov/>
 U.S Bureau of Labor Statistics <http://www.bls.gov/>

2015 Tax Rate:



Managing the ongoing impact of the school budget, particularly in terms of public perception, continues to be a challenge. Though the school portion is the largest driver of the tax rate, because tax bills are issued and collected by the town, the public often misattributes increases on municipal spending. As a result, municipal officials often feel compelled to restrain spending increases more than they might

otherwise if the tax levy were not coupled to the school district's spending.

2015 Tax Rate: School = \$18.31, Town = \$10.06, County = \$1.34

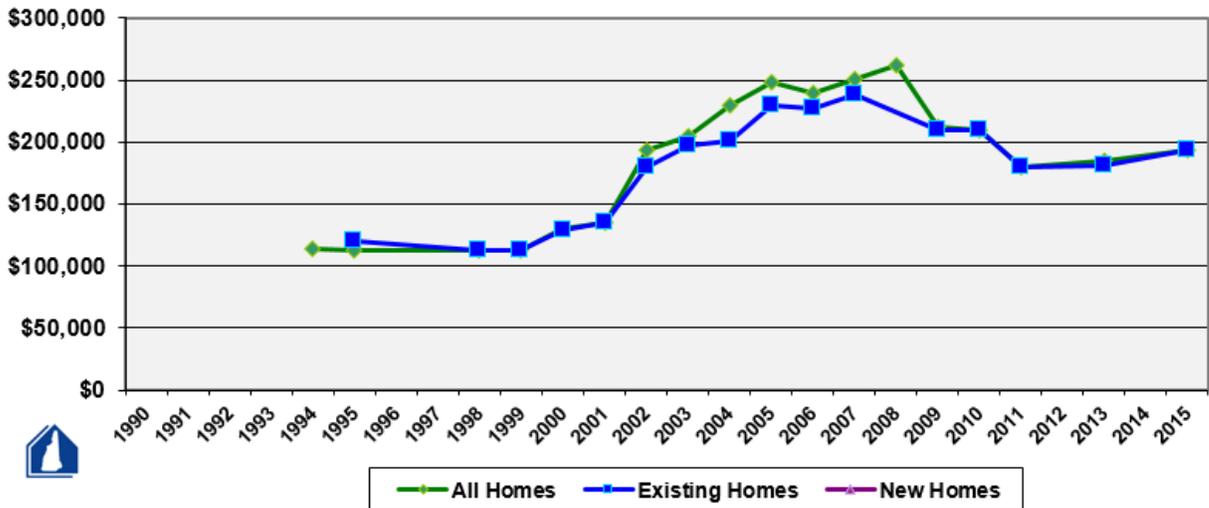
Additionally there are the concurrent trends of an aging population and a diminished school population. More and more households qualify for elderly exemptions, increasing the tax burden on middle class families and increasing pressure on young families to relocate out of the community. As these issues become more pressing with each year that passes, the larger community will be forced to tackle the challenges of managing a school district built for population trends of the past, while at the same time providing services that more accurately reflect current and future demographics.

Municipal Indicators:

In terms of municipal indicators, the rate of uncollected property taxes continues to remain well below the 2008 high of 9%, and comfortably below the 7% overlay assessed by the Select Board.

- 147 building permits were issued in 2014, relatively consistent with the 149 that were issued in in 2013. One permit went to new single family construction, 2 to new commercial construction, and the remainder were made up of residential and commercial additions and renovations. Total estimated construction costs were \$13,430,693.
- Notable construction projects for the year include: the Scott Farrar continuum of care community, continuing renovations at MCH, the reconstruction of Mr. Mikes, stabilization of the old Highland Farm building (Stone Barn), and the completion of the new PV solar field to power the town’s wastewater treatment facility.

Median Home Purchase Price



Source: New Hampshire Housing Finance Authority <http://www.nhhfa.org/housing-data-demographics.cfm>

- Since 2011, overall real estate market sales in Peterborough have been improving nicely, with strong sales in 2015. Overall the average home value increased 4.3% over 2014.

The municipal portion of our 2015 tax rate represents about 34% of the overall blended tax rate. Following is a comparison of the Town's Adopted FY 2014 and FY 2015 budgets showing estimated tax rate impacts:

	FY 2014 Town Meeting Actual	FY 2015 Town Meeting Actual
<u>Use of Funds:</u>		
Budget Appropriations	\$ 13,419,399	\$ 14,910,217
War Credits	142,700	126,000
Overlay	<u>52,009</u>	<u>56,878</u>
Total Uses of Funds	<u>\$ 13,614,108</u>	<u>\$ 15,093,095</u>
<u>Sources of Funds:</u>		
Miscellaneous Revenues	\$ 7,825,396	\$ 8,794,631
Amount to Be Raised by Property Taxes	<u>5,788,712</u>	<u>6,298,464</u>
Total Sources of Funds	<u>\$ 13,614,108</u>	<u>\$ 15,093,095</u>
<u>TAX RATE DETERMINATION:</u>		
Assessed Value (A.V.)	\$ 590,916,296	\$ 625,546,951
Amount to be Raised	5,788,712	6,298,464
Current Year Recommended		
Tax Rates/\$ 1,000 A.V.	9.80	10.06
Prior Year Tax Rate/\$ 1,000 A.V.	<u>8.93</u>	<u>9.80</u>
Increase (Decrease) Over Prior Year	<u>\$.87</u>	<u>\$.26</u>
Percent Change	9.7 %	2.7 %

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Peterborough's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Nancie Vaihinger, Finance Director
Town of Peterborough
1 Grove Street
Peterborough, New Hampshire 03458

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,428,493	\$ 1,298,404	\$ 11,726,897
Investments	4,650,900	95,890	4,746,790
Intergovernmental receivable	1,138,791	452,783	1,591,574
Other receivables, net of allowance for uncollectibles	2,674,532	586,546	3,261,078
Inventory	9,196	-	9,196
Prepaid items	122,280	31,167	153,447
Tax deeded property held for resale	263,299	-	263,299
Capital assets, not being depreciated:			
Land	2,584,721	173,385	2,758,106
Construction in progress	2,709,634	18,000	2,727,634
Capital assets, net of accumulated depreciation:			
Land improvements	826,166	-	826,166
Buildings and building improvements	2,990,328	-	2,990,328
Machinery, vehicles and equipment	2,266,075	421,015	2,687,090
Infrastructure	8,029,553	17,500,648	25,530,201
Total assets	<u>38,693,968</u>	<u>20,577,838</u>	<u>59,271,806</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>453,721</u>	<u>36,866</u>	<u>490,587</u>
LIABILITIES			
Accounts payable	81,321	8,022	89,343
Accrued expenses	-	31,900	31,900
Accrued payroll and benefits	103,195	19,010	122,205
Contract payable	198,844	76,468	275,312
Accrued interest payable	23,206	106,276	129,482
Intergovernmental payable	344	-	344
Retainage payable	86,675	47,451	134,126
Performance and escrow deposits	4,027	-	4,027
Other current liabilities	-	100,000	100,000
Noncurrent obligations:			
Due within one year:			
Bonds and notes payable	376,253	341,266	717,519
Unamortized bond premium	11,283	1,617	12,900
Capital leases payable	40,368	-	40,368
Compensated absences	66,779	-	66,779
Accrued landfill postclosure care costs	59,350	-	59,350
Due in more than one year:			
Bonds and notes payable	5,123,631	8,385,667	13,509,298
Unamortized bond premium	203,099	4,851	207,950
Capital leases payable	38,591	-	38,591
Compensated absences	361,551	31,721	393,272
Other post-employment benefits payable	241,955	31,589	273,544
Accrued landfill postclosure care costs	1,721,150	-	1,721,150
Net pension	4,542,031	394,960	4,936,991
Total liabilities	<u>13,283,653</u>	<u>9,580,798</u>	<u>22,864,451</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	9,166,495	101,346	9,267,841
Deferred amounts related to pensions	668,220	58,106	726,326
Total deferred inflows of resources	<u>9,834,715</u>	<u>159,452</u>	<u>9,994,167</u>
NET POSITION			
Net investment in capital assets	11,031,396	9,280,697	20,312,093
Restricted for:			
Endowments:			
Nonexpendable	2,789,780	-	2,789,780
Expendable	596,431	-	596,431
Other purposes	1,533,710	297,000	1,830,710
Unrestricted	78,004	1,296,757	1,374,761
Total net position	<u>\$ 16,029,321</u>	<u>\$ 10,874,454</u>	<u>\$ 26,903,775</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 2
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,092,729	\$ 27,644	\$ 55,922	\$ -	\$ (2,009,163)	\$ -	\$ (2,009,163)
Public safety	3,334,598	1,154,081	419,905	-	(1,760,612)	-	(1,760,612)
Highways and streets	2,175,559	15,592	187,066	-	(1,972,901)	-	(1,972,901)
Sanitation	205,880	159,211	-	-	(46,669)	-	(46,669)
Welfare	127,252	861	-	-	(126,391)	-	(126,391)
Culture and recreation	1,451,089	155,485	27,838	-	(1,267,766)	-	(1,267,766)
Conservation	13,126	-	-	-	(13,126)	-	(13,126)
Interest on long-term debt	186,641	-	-	-	(186,641)	-	(186,641)
Capital outlay	244,433	-	-	233,098	(11,335)	-	(11,335)
Total governmental activities	<u>9,831,307</u>	<u>1,512,874</u>	<u>690,731</u>	<u>233,098</u>	<u>(7,394,604)</u>	<u>-</u>	<u>(7,394,604)</u>
Business-type activities:							
Water department	953,488	997,013	15,000	-	-	58,525	58,525
Sewer department	2,640,599	910,741	1,487,791	-	-	(242,067)	(242,067)
Total business-type activities	<u>3,594,087</u>	<u>1,907,754</u>	<u>1,502,791</u>	<u>-</u>	<u>-</u>	<u>(183,542)</u>	<u>(183,542)</u>
Total primary government	<u>\$ 13,425,394</u>	<u>\$ 3,420,628</u>	<u>\$ 2,193,522</u>	<u>\$ 233,098</u>	<u>(7,394,604)</u>	<u>(183,542)</u>	<u>(7,578,146)</u>
General revenues:							
Property taxes					6,034,587	-	6,034,587
Other taxes					170,676	-	170,676
Licenses and permits					1,044,517	-	1,044,517
Grants and contributions not restricted to specific programs					363,594	-	363,594
Miscellaneous					498,864	5,902	504,766
Transfers					17,500	(17,500)	-
Total general revenues and transfers					<u>8,129,738</u>	<u>(11,598)</u>	<u>8,118,140</u>
Change in net position					735,134	(195,140)	539,994
Net position, beginning, as restated, see Note III.D.					15,294,187	11,069,594	26,363,781
Net position, ending					<u>\$ 16,029,321</u>	<u>\$ 10,874,454</u>	<u>\$ 26,903,775</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 3
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2015

	General	Ambulance	Union Street Improvements	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 7,909,915	\$ 141,146	\$ 747,385	\$ 259,712	\$ 1,370,335	\$ 10,428,493
Investments	551,078	-	-	3,125,909	973,913	4,650,900
Receivables, net of allowance for uncollectibles:						
Taxes	2,219,738	-	-	-	-	2,219,738
Accounts	87,067	186,085	-	-	6,183	279,335
Intergovernmental	1,075,500	63,291	-	-	-	1,138,791
Liens	70,459	-	-	-	-	70,459
Interfund receivable	111,771	-	-	-	-	111,771
Inventory	-	-	-	-	9,196	9,196
Prepaid items	246,836	444	-	-	-	247,280
Tax deeded property held for resale	263,299	-	-	-	-	263,299
Total assets	<u>\$ 12,535,663</u>	<u>\$ 390,966</u>	<u>\$ 747,385</u>	<u>\$ 3,385,621</u>	<u>\$ 2,359,627</u>	<u>\$ 19,419,262</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 73,908	\$ 1,273	\$ -	\$ -	\$ 6,140	\$ 81,321
Accrued salaries and benefits	58,050	27,732	-	-	17,413	103,195
Contracts payable	-	-	198,844	-	-	198,844
Intergovernmental payable	344	-	-	-	-	344
Retainage payable	-	-	86,675	-	-	86,675
Interfund payable	-	-	-	-	6,771	6,771
Escrow and performance deposits	4,027	-	-	-	-	4,027
Total liabilities	<u>136,329</u>	<u>29,005</u>	<u>285,519</u>	<u>-</u>	<u>30,324</u>	<u>481,177</u>
Deferred inflows of resources:						
Deferred revenue	9,694,217	122,849	-	-	203,666	10,020,732
Fund balances:						
Nonspendable	510,135	-	-	2,789,780	-	3,299,915
Restricted	-	-	461,866	595,841	1,071,844	2,129,551
Committed	1,579,212	239,112	-	-	1,053,793	2,872,117
Assigned	295,406	-	-	-	-	295,406
Unassigned	320,364	-	-	-	-	320,364
Total fund balances	<u>2,705,117</u>	<u>239,112</u>	<u>461,866</u>	<u>3,385,621</u>	<u>2,125,637</u>	<u>8,917,353</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,535,663</u>	<u>\$ 390,966</u>	<u>\$ 747,385</u>	<u>\$ 3,385,621</u>	<u>\$ 2,359,627</u>	<u>\$ 19,419,262</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 4
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
June 30, 2015

Total fund balances of governmental funds (Exhibit 3)		\$ 8,917,353
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 36,231,098	
Less accumulated depreciation	<u>(16,824,621)</u>	19,406,477
Payments not due until the subsequent period are recorded as prepaid in the governmental funds.		
Prepaid principal and interest on debt		(125,000)
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (6,771)	
Payables	<u>6,771</u>	-
Long-term revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred tax revenue	\$ 556,328	
Deferred ambulance revenue	122,849	
Deferred insurance proceeds	8,227	
Deferred liens	70,460	
Deferred miscellaneous revenue	<u>96,373</u>	854,237
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(23,206)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 5,499,884	
Unamortized bond premium	214,382	
Capital leases outstanding	78,959	
Compensated absences payable	428,330	
Other post-employment benefits payable	241,955	
Accrued landfill postclosure care costs	1,780,500	
Net pension liability	<u>4,542,031</u>	(12,786,041)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 453,721	
Deferred inflows of resources related to pensions	<u>(668,220)</u>	(214,499)
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 16,029,321</u></u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 5
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Ambulance	Union Street Improvements	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 5,663,943	\$ -	\$ -	\$ -	\$ 411,776	\$ 6,075,719
Licenses, permits and fees	1,044,517	-	-	-	-	1,044,517
Intergovernmental	989,932	217,173	-	-	-	1,207,105
Charges for services	258,868	947,957	-	-	200,485	1,407,310
Miscellaneous	585,300	20,261	-	83,760	198,594	887,915
Total revenues	<u>8,542,560</u>	<u>1,185,391</u>	<u>-</u>	<u>83,760</u>	<u>810,855</u>	<u>10,622,566</u>
Expenditures:						
Current:						
General government	1,952,078	-	20,500	5,884	102,655	2,081,117
Public safety	2,166,921	1,089,150	-	-	-	3,256,071
Highways and streets	1,766,465	-	-	-	-	1,766,465
Sanitation	380,904	-	-	-	72,901	453,805
Welfare	129,133	-	-	-	-	129,133
Culture and recreation	1,050,485	-	-	-	400,050	1,450,535
Conservation	2,561	-	-	-	7,813	10,374
Debt service:						
Principal	373,577	-	-	-	-	373,577
Interest	197,396	-	-	-	-	197,396
Capital leases	100,702	-	-	-	-	100,702
Capital outlay	1,234,386	-	1,918,250	-	-	3,152,636
Total expenditures	<u>9,354,608</u>	<u>1,089,150</u>	<u>1,938,750</u>	<u>5,884</u>	<u>583,419</u>	<u>12,971,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(812,048)</u>	<u>96,241</u>	<u>(1,938,750)</u>	<u>77,876</u>	<u>227,436</u>	<u>(2,349,245)</u>
Other financing sources (uses):						
Transfers in	408,651	-	-	1,200	142,753	552,604
Transfers out	(104,958)	-	-	(37,795)	(392,351)	(535,104)
Long-term debt issued	-	-	2,660,665	-	-	2,660,665
Inception of capital lease	115,800	-	-	-	-	115,800
Total other financing sources and uses	<u>419,493</u>	<u>-</u>	<u>2,660,665</u>	<u>(36,595)</u>	<u>(249,598)</u>	<u>2,793,965</u>
Net change in fund balances	(392,555)	96,241	721,915	41,281	(22,162)	444,720
Fund balances, beginning, as restated, see Note III.D.	3,097,672	142,871	(260,049)	3,344,340	2,147,799	8,472,633
Fund balances, ending	<u>\$ 2,705,117</u>	<u>\$ 239,112</u>	<u>\$ 461,866</u>	<u>\$ 3,385,621</u>	<u>\$ 2,125,637</u>	<u>\$ 8,917,353</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 6
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net change in fund balances of governmental funds (Exhibit 5)	\$	444,720
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.</p>		
Capitalized capital outlay	\$ 3,044,112	
Depreciation expense	<u>(919,449)</u>	2,124,663
The net effect of various transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position.		(32,578)
<p>Payments not due until the subsequent period are recorded as prepaid in the governmental funds.</p>		
Deposit on capital asset	\$ 166,421	
Principal and interest on debt	<u>(41,666)</u>	124,755
<p>Transfers in and out between governmental funds are eliminated on the operating statement.</p>		
Transfers in	\$ (535,104)	
Transfers out	<u>535,104</u>	-
<p>Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.</p>		
Change in deferred tax revenue	\$ 116,407	
Change in deferred ambulance revenue	72,524	
Change in deferred insurance proceeds	(326,036)	
Change in deferred liens	14,251	
Change in other deferred revenue	<u>52,353</u>	(70,501)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Issuance of bonds	\$ (2,435,000)	
Amortization of premium on bonds issued	(225,665)	
Inception of capital lease	(115,800)	
Repayment of bonds and notes principal	498,577	
Bond premium amortization	11,283	
Repayment of capital lease principal	<u>54,361</u>	(2,212,244)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Decrease in accrued interest expense	\$ 2,089	
Increase in compensated absences payable	(36,884)	
Increase in other postemployment benefits payable	(33,047)	
Decrease in accrued landfill postclosure care costs	<u>259,500</u>	191,658
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.</p>		
Town pension contributions	\$ 453,721	
Cost of benefits earned, net of employee contributions	<u>(289,060)</u>	
		<u>164,661</u>
Change in net position of governmental activities (Exhibit 2)	\$	<u><u>735,134</u></u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 7
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
General Fund
Statement of Revenues, Expenditures and Changes in
Unassigned Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 5,771,594	\$ 5,771,594	\$ 5,779,237	\$ 7,643
Licenses, permits and fees	958,050	958,050	1,027,702	69,652
Intergovernmental	707,878	979,878	986,490	6,612
Charges for services	183,503	183,503	291,908	108,405
Miscellaneous	265,151	597,992	586,525	(11,467)
Total revenues	<u>7,886,176</u>	<u>8,491,017</u>	<u>8,671,862</u>	<u>180,845</u>
EXPENDITURES				
Current:				
General government	1,942,988	1,900,085	1,957,584	(57,499)
Public safety	2,175,868	2,175,868	2,177,428	(1,560)
Highways and streets	1,663,582	1,663,582	1,635,482	28,100
Sanitation	384,668	384,668	380,904	3,764
Welfare	153,770	153,770	128,133	25,637
Culture and recreation	1,147,406	1,147,406	1,047,935	99,471
Conservation	3,050	3,050	2,561	489
Debt service:				
Principal	393,530	393,530	373,577	19,953
Interest	189,224	189,224	197,396	(8,172)
Capital leases	163,755	163,755	100,702	63,053
Capital outlay	469,500	1,074,341	1,118,586	(44,245)
Total expenditures	<u>8,687,341</u>	<u>9,249,279</u>	<u>9,120,288</u>	<u>128,991</u>
Deficiency of revenues under expenditures	<u>(801,165)</u>	<u>(758,262)</u>	<u>(448,426)</u>	<u>309,836</u>
Other financing sources (uses):				
Transfers in	669,665	669,665	651,249	(18,416)
Transfers out	(193,500)	(236,403)	(258,814)	(22,411)
Total other financing sources and uses	<u>476,165</u>	<u>433,262</u>	<u>392,435</u>	<u>(40,827)</u>
Net change in fund balance	<u>\$ (325,000)</u>	<u>\$ (325,000)</u>	(55,991)	<u>\$ 269,009</u>
Decrease in nonspendable fund balance			66,702	
Decrease in restricted fund balance			1,420	
Unassigned fund balance, beginning, as restated, see Note III.D.			960,935	
Unassigned fund balance, ending			<u>\$ 973,066</u>	

The notes to the financial statements are an integral part of this statement.

EXHIBIT 8
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Ambulance Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 106,960	\$ 217,173	\$ 110,213
Charges for services	1,036,740	947,957	(88,783)
Miscellaneous	56,500	20,261	(36,239)
Total revenues	<u>1,200,200</u>	<u>1,185,391</u>	<u>(14,809)</u>
EXPENDITURES			
Current:			
Public safety	<u>1,200,200</u>	<u>1,089,150</u>	<u>111,050</u>
Net change in fund balance	<u>\$ -</u>	<u>96,241</u>	<u>\$ 96,241</u>
Fund balance, beginning		<u>142,871</u>	
Fund balance, ending		<u><u>\$ 239,112</u></u>	

The notes to the financial statements are an integral part of this statement.

EXHIBIT 9
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds		
	Water Department	Sewer Department	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 626,000	\$ 672,404	\$ 1,298,404
Investments	69,977	25,913	95,890
Accounts receivable	318,569	267,977	586,546
Intergovernmental receivable	-	452,783	452,783
Prepaid items	19,810	11,357	31,167
Noncurrent assets:			
Capital assets:			
Land	158,779	14,606	173,385
Construction in progress	18,000	-	18,000
Machinery and equipment	440,613	606,102	1,046,715
Infrastructure	9,047,900	16,533,281	25,581,181
Less accumulated depreciation	<u>(3,082,053)</u>	<u>(5,624,180)</u>	<u>(8,706,233)</u>
Total assets	<u>7,617,595</u>	<u>12,960,243</u>	<u>20,577,838</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>19,324</u>	<u>17,542</u>	<u>36,866</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,076	5,946	8,022
Accrued expenses	9,300	22,600	31,900
Accrued salaries and benefits	8,935	10,075	19,010
Contract payable	-	76,468	76,468
Retainage payable	-	47,451	47,451
Accrued interest payable	1,280	104,996	106,276
Accrued liability	100,000	-	100,000
Noncurrent obligations:			
Due within one year:			
Bonds and notes payable	134,036	207,230	341,266
Unamortized bond premium	1,617	-	1,617
Due in more than one year:			
Bonds and notes payable	2,117,769	6,267,898	8,385,667
Unamortized bond premium	4,851	-	4,851
Compensated absences	15,869	15,852	31,721
Other post-employment benefits payable	16,482	15,107	31,589
Net pension	<u>197,480</u>	<u>197,480</u>	<u>394,960</u>
Total liabilities	<u>2,609,695</u>	<u>6,971,103</u>	<u>9,580,798</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	101,346	-	101,346
Deferred amounts related to pensions	<u>29,053</u>	<u>29,053</u>	<u>58,106</u>
Total deferred inflows of resources	<u>130,399</u>	<u>29,053</u>	<u>159,452</u>
NET POSITION			
Net investment in capital assets	4,226,016	5,054,681	9,280,697
Restricted for rate stabilization	-	297,000	297,000
Unrestricted	<u>670,809</u>	<u>625,948</u>	<u>1,296,757</u>
Total net position	<u>\$ 4,896,825</u>	<u>\$ 5,977,629</u>	<u>\$ 10,874,454</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 10
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
	Department	Department	
Operating revenues:			
Charges for services	\$ 990,378	\$ 882,127	\$ 1,872,505
Miscellaneous	6,635	28,614	35,249
Total operating revenues	<u>997,013</u>	<u>910,741</u>	<u>1,907,754</u>
Operating expenses:			
Plant operation and maintenance	681,359	1,967,709	2,649,068
Depreciation expense	184,239	476,062	660,301
Total operating expenses	<u>865,598</u>	<u>2,443,771</u>	<u>3,309,369</u>
Operating income (loss)	<u>131,415</u>	<u>(1,533,030)</u>	<u>(1,401,615)</u>
Non-operating revenue (expense):			
Intergovernmental	15,000	1,487,791	1,502,791
Interest income	2,714	3,188	5,902
Interest expense	(87,890)	(196,828)	(284,718)
Transfer to other funds	(8,750)	(8,750)	(17,500)
Total nonoperating income (expense)	<u>(78,926)</u>	<u>1,285,401</u>	<u>1,206,475</u>
Net change in fund balances	52,489	(247,629)	(195,140)
Fund balances, beginning	4,844,336	6,225,258	11,069,594
Fund balances, ending	<u>\$ 4,896,825</u>	<u>\$ 5,977,629</u>	<u>\$ 10,874,454</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 11
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds		
	Water Department	Sewer Department	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 991,251	\$ 930,994	\$ 1,922,245
Payments to suppliers and employees	(692,048)	(1,822,309)	(2,514,357)
Net cash provided (used) by operating activities	<u>299,203</u>	<u>(891,315)</u>	<u>(592,112)</u>
Cash flows from non-capital financing activities:			
Transfers to other funds	<u>(8,750)</u>	<u>(8,750)</u>	<u>(17,500)</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(85,551)	(73,450)	(159,001)
Proceeds from federal grants	15,000	703,345	718,345
Proceeds from state grants	-	398,656	398,656
Principal paid on bonds and notes	(232,282)	(201,767)	(434,049)
Interest paid on bonds and notes	(128,346)	(199,981)	(328,327)
Net cash provided (used) by capital and related financing activities	<u>(431,179)</u>	<u>626,803</u>	<u>195,624</u>
Cash flows from investing activities:			
Interest and dividends received	2,714	3,188	5,902
Purchase of investments	(69,977)	(25,913)	(95,890)
Net cash used by investing activities	<u>(67,263)</u>	<u>(22,725)</u>	<u>(89,988)</u>
Decrease in cash	(207,989)	(295,987)	(503,976)
Cash and cash equivalents, beginning	833,989	968,391	1,802,380
Cash and cash equivalents, ending	<u>\$ 626,000</u>	<u>\$ 672,404</u>	<u>\$ 1,298,404</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 131,415	\$ (1,533,030)	\$ (1,401,615)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	184,239	476,062	660,301
(Increase) decrease in accounts receivable	(3,338)	19,437	16,099
Decrease in due from other funds	-	816	816
Increase in prepaid items	(9,636)	(1,183)	(10,819)
Increase (decrease) in accounts payable	(1,356)	142,724	141,368
Increase in accrued liabilities	303	3,859	4,162
Decrease in deferred revenue	(2,424)	-	(2,424)
Total adjustments	<u>167,788</u>	<u>641,715</u>	<u>809,503</u>
Net cash provided (used) by operating activities	<u>\$ 299,203</u>	<u>\$ (891,315)</u>	<u>\$ (592,112)</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 12
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 65,202	\$ 1,329,783
Investments	890,624	333,799
Total assets	<u>955,826</u>	<u>1,663,582</u>
Liabilities:		
Accounts payable	-	112,741
Due to other governmental units	-	1,063,743
Due to developers	-	487,098
Total liabilities	<u>-</u>	<u>1,663,582</u>
Net position:		
Held in trust for specific purposes	<u>\$ 955,826</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT 13
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions:	
Investment earnings:	
Interest and dividends	\$ 24,261
Deductions:	
Trust distributions	3,000
Change in net position	21,261
Net position, beginning	934,565
Net position, ending	\$ 955,826

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Peterborough (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended June 30, 2015.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. *Entity Defined*

The Town of Peterborough is a municipal corporation governed by a board of selectmen consisting of three members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major governmental funds are reported in separate columns with composite columns for nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met. The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. However, for purposes of setting the tax rate, unavailable property taxes are not deferred in accordance with the direction of the New Hampshire Department of Revenue Administration.

Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest, which are reported as expenditures in the year due.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts, charges for services, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

I.B.4. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Ambulance Fund – This special revenue fund is used to account for financial transactions of the Town’s emergency medical services.

Union Street Improvements Fund – This capital project fund is used to account for financial transactions of the Town’s Union Street Improvements project.

Permanent Fund – The permanent fund is used to account for financial assets held by the trustees of trust funds, from which only the income, and not principal, is used for supporting Town purposes.

The Town also reports nine nonmajor governmental funds.

Proprietary Funds

The Town reports the following major enterprise funds:

Water Department – Accounts for all revenues and expenses related to the Town’s water treatment and distribution operations.

Sewer Department – Accounts for all revenues and expenses related to the Town’s sewage disposal operations.

Fiduciary Funds

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – Account for financial resources of the Town used only for the benefit of other entities or individuals.

Agency Funds – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town’s agency funds are used to account for performance bonds held in escrow, and amounts held by the trustees of trust funds that belong to the Contoocook Valley Regional School District.

TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

I.B.5. *Change in Accounting Principle*

The Town adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for the year ended June 30, 2015. This resulted in the inclusion of pension related liability and deferred inflows and outflows of resources in governmental activities. The prior year's net position was restated as shown in Note III.D.

I.C. *Assets, Liabilities, and Net Position or Fund Equity*

I.C.1. *Cash and Investments*

The laws of the State of New Hampshire require that the Town's treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383.22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

I.C.2. *Inventory and Prepaid Items*

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, with the exception of prepaid debt, which reduces the long-term liability on the government-wide financial statements.

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

I.C.3. Capital Assets and Depreciation

Generally, the Town’s property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide and enterprise fund financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	Years
Land improvements	20
Buildings and building improvements	20-100
Sewer system	10-50
Water system	20-75
Machinery, vehicles and equipment	5-15
Infrastructure	40

I.C.4. Restricted Assets

The Town has segregated certain funds of the Water Department as an accrued liability that is restricted for the upgrading of the water quality at one of the Town’s wells.

I.C.5. Long-Term Debt

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

I.C.6. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums based on the number of years in employment. Employees who are eligible for vacation benefits and whose employment is terminated for any reason are paid an amount equal to all accumulated vacation pay earned but not taken.

Full-time, permanent employees are granted sick leave at a rate of one and one-half days for every two full months of continuous service. Employees who have been employed by the Town for more than ten years are paid upon termination of their employment for their unused sick leave on a sliding scale up to as much as 80% of accumulated sick leave for employees with over 40 years of service. The maximum reimbursement for accumulated sick leave shall not exceed 960 hours.

TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

For employees hired prior to December 31, 1997, the hours accumulated under the previous compensated absences system (PDOs or Banked Paid Days Off) carryover and can be used for extended illness, injury or vacation leave with written approval of the Department head. At termination of employment, employees are reimbursed for any unused PDO's limited to a total of 960 hours accumulated PDO's and sick leave, with the payment made first from the PDO bank and then from the accumulated sick leave.

Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.7. Equity

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for endowments, which consists of the balance of the permanent funds where the principal must be permanently invested and the income is allowed to be used for Town purposes.
- Restricted for other purposes, which consists of the balance of the capital projects and special revenue funds whose revenues are restricted by enabling legislation and state laws.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of inventory, prepaid items, and endowments.
- Restricted, which represents the expendable income from permanent funds and the library fund, whose use is limited by law; and balances for which the intended use has been established by enabling legislation through Town Meeting vote.
- Committed, which consists of balances for which the intended use has been established by Town Meeting, or by the Board of Selectmen, and would require an equally formal action to remove those commitments.
- Assigned, which consists of balances for which the intended use is established by the Board of Selectmen in the form of encumbrances.

TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

- Unassigned, which represents the remaining fund balance in the General Fund in excess of the nonspendable, restricted, committed and assigned balances.

I.D. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General, Water, Sewer and Ambulance Funds, as well as the nonmajor Cemetery, Recreation, Pay As You Throw, and PEG Funds. Project length budgets are adopted for the Capital Project Funds. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In fiscal year 2015, \$325,000 of the General Fund fund balance from fiscal year 2014 was used.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the amounts will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, water distribution and treatment, welfare, culture and recreation, conservation, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

II.B. Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 9,323,111
Adjustments:	
Basis difference:	
Capital lease inception	115,800
Tax revenue deferred in the prior year for unavailability	439,921
Tax revenue deferred in the current year for unavailability	(556,328)
Other revenue deferred in the prior year	38,576
Other revenue deferred in the current year	(96,374)
Perspective difference:	
Revenue from Capital Reserve Fund	3,616
Revenue from Town Expendable Trust Fund	2,887
Revenue from Isabelle Miller Fund	20,633
Revenue from Landfill Expendable Trust Fund	615
Revenue from Town Reclamation Trust Fund	17,152
Tranfers from Expendable Trust Funds	(242,598)
Per Exhibit 5 (GAAP basis)	<u>\$ 9,067,011</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 9,379,102
Adjustments:	
Basis difference:	
Encumbrances, beginning	363,926
Encumbrances, ending	(245,406)
Capital lease inception	115,800
Perspective difference:	
Transfers to Expendable Trust Funds	(187,500)
Transfer to Capital Project Fund	33,644
Per Exhibit 5 (GAAP basis)	<u>\$ 9,459,566</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 973,066
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(556,328)
Other deferred revenue, GAAP basis	(96,374)
Per Exhibit 3 (GAAP basis)	<u>\$ 320,364</u>

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of June 30, 2015, the Town’s reporting entity had the following investments:

Municipal Obligations	\$ 82,309
US Treasury Obligations	1,607,378
Mutual Funds	518,333
Common Stock	3,124,549
Corporate Bonds	638,644
	<u>\$ 5,971,213</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 4,650,900
Enterprise funds - statement of net position (Exhibit 9)	95,890
Fiduciary funds - statement of fiduciary net position (Exhibit 12)	1,224,423
Total	<u>\$ 5,971,213</u>

Investment Risks

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Hampshire law limits investments to those described in Note I.C.1. The Town does not have an investment policy that places any further restrictions on its investment choices.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town does not have an investment policy that addresses limiting interest rate risk.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Of the Town’s \$5,971,213 of investments, \$3,763,193 has exposure to custodial credit risk because the related securities are uninsured and uncollateralized.

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III.A.2. Receivables, Uncollectible Accounts and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year’s billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of liened taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2014 property taxes on April 6th.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Contoocook Valley Regional School District, and Hillsborough County. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2014, upon which the 2014 property tax levy was based was:

For the New Hampshire education tax	\$ 580,916,296
For all other taxes	\$ 590,394,096

The tax rates and amounts assessed for the year ended June 30, 2015 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$9.80	\$ 5,788,712
School portion:		
State of New Hampshire	\$2.62	1,519,109
Local	\$16.80	9,916,677
County portion	\$1.34	793,114
Total property taxes assessed		<u><u>\$ 18,017,612</u></u>

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The following details the taxes receivable at year-end:

Property:	
Levy of 2015	\$ 1,615,146
Unredeemed (under tax lien):	
Levy of 2014	381,815
Levy of 2013	159,815
Levy of 2012	61,113
Timber	1,849
Net taxes receivable	<u><u>\$ 2,219,738</u></u>

Other Receivables and Uncollectible Accounts

Significant receivables include charges for ambulance services and water and sewer rents. These funds report accounts receivable net of any allowance for uncollectible amounts and revenues net of uncollectibles. The allowance amount consists of ambulance charges that are expected to be written off as bad debt based on the historical write-off rates. Related amounts are shown in the following table:

	Governmental Activities	Enterprise Funds
Accounts	\$ 519,086	\$ 586,546
Intergovernmental	1,138,791	452,783
Liens	70,459	-
Less: allowance for uncollectible amounts	(134,751)	-
Net total receivables	<u><u>\$ 1,593,585</u></u>	<u><u>\$ 1,039,329</u></u>

Deferred Revenue

Deferred revenue of \$10,020,732 in the governmental funds at June 30, 2015 represents \$122,849 of ambulance service charges, \$96,373 of miscellaneous receivables and \$556,328 of property taxes receivable that were not collected within 60 days of year-end, and therefore, are deferred in accordance with generally accepted accounting principles; \$9,146,017 of property taxes assessed for fiscal year 2015; \$70,460 of elderly/disabled and welfare liens not redeemed within 60 days; \$19,528 in unapplied tax and accounts receivable credits to be applied to future levies; a \$8,227 insurance reimbursement received in advance of the premium; and \$950 in miscellaneous items.

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III.A.3. Capital Assets

Changes in Capital Assets

The following tables provide a summary of changes in capital assets:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 2,584,721	\$ -	\$ -	\$ 2,584,721
Construction in progress	878,737	2,164,703	(333,806)	2,709,634
Total capital assets not being depreciated	<u>3,463,458</u>	<u>2,164,703</u>	<u>(333,806)</u>	<u>5,294,355</u>
Being depreciated:				
Land improvements	1,273,361	-	-	1,273,361
Buildings and building improvements	4,604,301	410,594	-	5,014,895
Machinery, vehicles and equipment	5,546,801	772,236	(251,613)	6,067,424
Infrastructure	18,550,678	30,385	-	18,581,063
Total capital assets being depreciated	<u>29,975,141</u>	<u>1,213,215</u>	<u>(251,613)</u>	<u>30,936,743</u>
Total all capital assets	<u>33,438,599</u>	<u>3,377,918</u>	<u>(585,419)</u>	<u>36,231,098</u>
Less accumulated depreciation:				
Land improvements	(388,511)	(58,684)	-	(447,195)
Buildings and building improvements	(1,897,296)	(127,271)	-	(2,024,567)
Machinery, vehicles and equipment	(3,584,748)	(435,636)	219,035	(3,801,349)
Infrastructure	(10,253,652)	(297,858)	-	(10,551,510)
Total accumulated depreciation	<u>(16,124,207)</u>	<u>(919,449)</u>	<u>219,035</u>	<u>(16,824,621)</u>
Net book value, capital assets being depreciated	<u>13,850,934</u>	<u>293,766</u>	<u>(32,578)</u>	<u>14,112,122</u>
Net book value, all capital assets	<u>\$ 17,314,392</u>	<u>\$ 2,458,469</u>	<u>\$ (366,384)</u>	<u>\$ 19,406,477</u>

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	Balance, beginning	Additions	Deletions	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 173,385	\$ -	\$ -	\$ 173,385
Construction in progress	-	18,000	-	18,000
Total capital assets not being depreciated	<u>173,385</u>	<u>18,000</u>	<u>-</u>	<u>191,385</u>
Being depreciated:				
Sewer system	16,533,281	-	-	16,533,281
Water system	9,047,900	-	-	9,047,900
Machinery, vehicles and equipment	905,713	141,002	-	1,046,715
Total capital assets being depreciated	<u>26,486,894</u>	<u>141,002</u>	<u>-</u>	<u>26,627,896</u>
Total all capital assets	<u>26,660,279</u>	<u>159,002</u>	<u>-</u>	<u>26,819,281</u>
Less accumulated depreciation:				
Sewer system	(4,829,580)	(431,513)	-	(5,261,093)
Water system	(2,655,095)	(164,345)	-	(2,819,440)
Machinery, vehicles and equipment	(561,256)	(64,444)	-	(625,700)
Total accumulated depreciation	<u>(8,045,931)</u>	<u>(660,302)</u>	<u>-</u>	<u>(8,706,233)</u>
Net book value, capital assets being depreciated	<u>18,440,963</u>	<u>(519,300)</u>	<u>-</u>	<u>17,921,663</u>
Net book value, all capital assets	<u>\$ 18,614,348</u>	<u>\$ (501,300)</u>	<u>\$ -</u>	<u>\$ 18,113,048</u>

Depreciation Expense

Depreciation expense was charged to functions and activities of the Town as follows:

Governmental activities:	
General government	\$ 80,464
Public safety	233,354
Highways and streets	412,428
Sanitation	24,209
Culture and recreation	166,242
Conservation	2,752
Total depreciation expense	<u>\$ 919,449</u>
Business-type activities:	
Water distribution and treatment	\$ 184,239
Sewer	476,063
Total depreciation expense	<u>\$ 660,302</u>

III.A.4. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$3,386,211 for public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures and \$1,533,710 restricted by bond covenants, grantors and contributors.

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III.B. Long-Term Debt

General obligation bonds and notes are approved by the voters and repaid with general revenues (property taxes). These notes are backed by the full faith and credit of the Town. Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 6/30/2015	Current Portion
Governmental activities:						
General obligation bonds/notes payable:						
West Peterborough TIF	\$ 250,000	2010	2024	4.48	\$ 1,551,726	\$ 172,414
Connector road	\$ 100,000	2010	2023	4.57	644,338	73,839
Road paving	\$ 250,000	2012	2017	2.17	100,000	50,000
Adams pool renovation	\$ 1,200,000	2013	2027	2.44	893,820	80,000
Union Street infrastructure	\$ 2,435,000	2015	2035	5.10	2,310,000	-
					<u>5,499,884</u>	<u>376,253</u>
Unamortized bond premium					<u>214,382</u>	<u>11,283</u>
Capital leases payable:						
Ambulance	\$ 115,800	2015	2017	2.64	76,190	37,599
Police copier	\$ 7,772	2012	2014	7.75	2,769	2,769
					<u>78,959</u>	<u>40,368</u>
Compensated absences payable:						
Vested sick leave					119,947	44,354
Accrued vacation leave					308,383	22,425
					<u>428,330</u>	<u>66,779</u>
Other post-employment benefits payable						
Accrued landfill postclosure care costs					241,955	-
Net pension liability					<u>1,780,500</u>	<u>59,350</u>
					<u>4,542,031</u>	<u>-</u>
					<u>\$ 12,786,041</u>	<u>\$ 554,033</u>
Business-type activities:						
General obligation bonds/notes payable:						
Sewer improvements	\$ 250,000	2001	2016	4.5-5.25	\$ 16,667	\$ 16,667
Han-Sul Industrial note	\$ 60,022	1995	2016	6.25	3,001	3,001
Treatment plant	\$ 6,986,000	2012	2039	4.48	6,455,460	187,562
Hunt well	\$ 1,500,000	1999	2019	4.43	300,000	75,000
Water refunding bond	\$ 1,557,200	2009	2037	4.125	1,409,000	-
Water improvements	\$ 500,000	2001	2016	4.5-5.25	33,333	33,333
Han-Sul Industrial note	\$ 13,347	1995	2016	6.50	667	667
Drinking water loan	\$ 579,500	2012	2031	3.10	508,805	25,036
					<u>8,726,933</u>	<u>341,266</u>
Unamortized bond premium					<u>6,468</u>	<u>1,617</u>
Compensated absences payable:						
Vested sick leave					5,975	-
Accrued vacation leave					25,746	-
					<u>31,721</u>	<u>-</u>
Other post-employment benefits payable						
Net pension liability					<u>31,589</u>	<u>-</u>
					<u>394,960</u>	<u>-</u>
					<u>\$ 9,191,671</u>	<u>\$ 342,883</u>

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Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	General Obligation Bonds/Notes Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	Other Postemployment Benefits Payable	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Governmental activities:								
Balance, beginning	\$ 3,563,461	\$ -	\$ 17,520	\$ 391,446	\$ 208,908	\$ 2,040,000	\$ -	\$ 6,221,335
Additions	2,435,000	225,665	115,800	62,538	33,047	-	4,542,031	7,414,081
Reductions	(498,577)	(11,283)	(54,361)	(25,654)	-	(259,500)	-	(849,375)
Balance, ending	<u>\$ 5,499,884</u>	<u>\$ 214,382</u>	<u>\$ 78,959</u>	<u>\$ 428,330</u>	<u>\$ 241,955</u>	<u>\$ 1,780,500</u>	<u>\$ 4,542,031</u>	<u>\$ 12,786,041</u>

	General Obligation Bonds/Notes Payable	Unamortized Bond Premium	Compensated Absences Payable	Other Postemployment Benefits Payable	Net Pension Liability	Total
Business-type activities:						
Balance, beginning	\$ 9,160,982	\$ 8,085	\$ 26,006	\$ 28,716	\$ -	\$ 9,223,789
Additions	-	-	5,715	2,873	394,960	403,548
Reductions	(434,049)	(1,617)	-	-	-	(435,666)
Balance, ending	<u>\$ 8,726,933</u>	<u>\$ 6,468</u>	<u>\$ 31,721</u>	<u>\$ 31,589</u>	<u>\$ 394,960</u>	<u>\$ 9,191,671</u>

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for the bonds and notes outstanding as of year-end are as follow:

Fiscal Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 376,253	\$ 172,451	\$ 548,704
2017	504,792	206,666	711,458
2018	458,418	185,899	644,317
2019	462,215	166,051	628,266
2020	466,155	146,061	612,216
2021-2025	1,938,231	438,393	2,376,624
2026-2030	693,820	184,728	878,548
2031-2035	600,000	61,500	661,500
Totals	<u>\$ 5,499,884</u>	<u>\$ 1,561,749</u>	<u>\$ 7,061,633</u>

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Fiscal Year Ending June 30,	Business-type Activities		
	Principal	Interest	Total
2016	\$ 341,266	\$ 257,388	\$ 598,654
2017	344,002	274,893	618,895
2018	351,599	262,964	614,563
2019	360,394	250,791	611,185
2020	293,395	238,855	532,250
2021-2025	1,601,588	1,047,613	2,649,201
2026-2030	1,868,081	760,024	2,628,105
2031-2035	1,980,013	443,285	2,423,298
2036-2039	1,586,595	118,799	1,705,394
Totals	<u>\$ 8,726,933</u>	<u>\$ 3,654,612</u>	<u>\$ 12,381,545</u>

The future minimum lease obligations for the capital leases of the governmental activities are as follow:

June 30,	Principal	Interest	Total
2016	\$ 40,368	\$ 2,154	\$ 42,522
2017	38,591	1,971	40,562
Totals	<u>\$ 78,959</u>	<u>\$ 4,125</u>	<u>\$ 83,084</u>

Bonds and notes authorized and unissued as of June 30, 2015 were as follow:

Per Town Meeting Vote of	Purpose	Unissued Amount
May 15, 2015	Robbe Farm Road-Legacy Lane Improvement	\$200,000

III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. Receivables and Payables

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.” The amount due to the General Fund from the Nonmajor Funds represents reimbursements of expenditures.

III.C.2. Transfers

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, and distributing trust income and certain voted amounts to the

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applicable fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	Transfers In:			Total
	General Fund	Permanent Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ -	\$ 104,958	\$ 104,958
Water department fund	8,750	-	-	8,750
Sewer department fund	8,750	-	-	8,750
Permanent fund	-	-	37,795	37,795
Nonmajor funds	391,151	1,200	-	392,351
	\$ 408,651	\$ 1,200	\$ 142,753	\$ 552,604

The total amount transferred from the Nonmajor Funds to the General Fund represents \$247,552 from the West Peterborough TIF District for the annual debt payment, \$77,736 from the Downtown TIF District for sanitation expenditures, \$44,115 from the Library Fund and \$13,288 from the Recreation Revolving Fund for budget transfers, and \$8,460 from the Cemetery Maintenance Fund for maintenance. The amount transferred from the General Fund to the Nonmajor Funds represents \$55,078 for cemetery maintenance, \$16,236 to the Recreation Revolving Fund, and \$33,644 to the Community Center Renovation project for voted appropriations. The amount transferred from the Permanent Fund to the Nonmajor Funds represents \$20,795 to the Library Fund, and \$17,000 to the Cemetery Maintenance Fund. The amount transferred from the Nonmajor Funds to the Permanent Fund represents cemetery lot sales. The amounts transferred to the General Fund from the Water and Sewer Departments, and the amount transferred from the Permanent Fund to the Nonmajor Funds represent voted appropriations.

III.D. Restatement of Beginning Equity

Equity at July 1, 2014 was restated to reflect the following adjustments:

	Governmental Activities	General Fund	Water Department Fund	Sewer Department Fund
To record balance of net pension liability	\$ (4,921,191)	\$ -	\$ (213,965)	\$ (213,965)
To remove prior year inventory	(264,987)	(264,987)	(93,043)	(34,881)
Net position/fund balance, as previously reported	20,480,365	3,362,659	5,151,344	6,474,104
Net position/fund balance, as restated	\$ 15,294,187	\$ 3,097,672	\$ 4,844,336	\$ 6,225,258

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III.E. Fund Equity

The components of fund balance, as described in note I.C.7, are classified for the following purposes:

	General Fund	Ambulance Fund	Union Street Improvements Fund	Permanent Fund	Other Governmental Funds
Nonspendable:					
Endowments	\$ -	\$ -	\$ -	\$ 2,789,780	\$ -
Prepaid items	246,836	-	-	-	-
Tax deeded property	263,299	-	-	-	-
Total nonspendable	510,135	-	-	2,789,780	-
Restricted:					
General government	-	-	-	319,073	-
Public safety	-	-	-	261,098	-
Culture and recreation	-	-	-	15,670	1,071,832
Capital outlay	-	-	461,866	-	-
Total restricted	-	-	461,866	595,841	1,071,832
Committed:					
General government	47,201	-	-	-	84,394
Public safety	-	239,112	-	-	-
Highways and streets	67,979	-	-	-	-
Sanitation	290,916	-	-	-	25,237
Culture and recreation	61,586	-	-	-	91,333
Conservation	-	-	-	-	114,353
Capital outlay	1,111,530	-	-	-	738,488
Total committed	1,579,212	239,112	-	-	1,053,805
Assigned:					
Capital outlay	295,406	-	-	-	-
Total assigned	295,406	-	-	-	-
Unassigned	320,364	-	-	-	-
Total fund balance	\$ 2,705,117	\$ 239,112	\$ 461,866	\$ 3,385,621	\$ 2,125,637

IV. Other Information

IV.A. Risk Management

The Town's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Property/Liability and Workers' Compensation Programs, which are considered public entity risk pools, currently operating as common risk management and insurance programs for member governmental entities.

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The Primex Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Workers' compensation and property/liability coverage is provided from July 1 through June 30. Primex provided property coverage in varying amounts, employer's liability coverage of \$2,000,000, and statutory coverage for workers' compensation.

Contributions paid in 2015 to be recorded as an insurance expenditure/expense totaled \$99,863. There were no unpaid contributions for the year ended June 30, 2015. The Town paid \$60,357 for workers' compensation for the fiscal year ended June 30, 2015. The agreement permits Primex to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, Primex foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

General Information about the Pension Plan

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available at www.nhrs.org or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police, fire personnel, and other employees for the fiscal year were 11.55%, 11.8%, and 7% of gross earnings, respectively. The rates of contribution for pension and the medical subsidy were 25.30% for police, 27.74% for fire personnel, and 10.77% for other employees. Employer contributions from the Town during the fiscal years 2013, 2014 and 2015 were \$378,033, \$470,043 and \$490,587 respectively. The amounts are paid on a monthly basis as due.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of \$4,936,991 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2014, the Town's proportion was 0.1315%, which was a decrease of 0.0027% from its proportion measured as of June 30, 2013.

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For the year ended June 30, 2015, the Town recognized pension expense of \$314,197. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$ 94,634
Net differences between projected and actual earnings on pension plan investments	-	631,692
Town contributions subsequent to the measurement date	490,587	-
	\$ 490,587	\$ 726,326

The Town reported \$490,587 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ended June 30,	
2015	\$ (178,462)
2016	(178,462)
2017	(178,462)
2018	(178,462)
2019	(12,478)
	\$ (726,326)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.75%
Salary increases	5.8% average, including inflation
Investment rate of return	7.75% per year

Mortality rates were based on the RP-2000 Mortality Table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

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Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of net pension liability	\$ 6,502,820	\$ 4,936,991	\$ 3,615,979

Other actuarial assumptions, as well as detailed information about the pension plan’s fiduciary net position, is available in the separately issued NHRS report.

IV.C. Contingent Liabilities

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

IV.D. Other Postemployment Benefits

Plan Description

As required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*, the Town provides its eligible retirees including certain beneficiaries, the ability to purchase health, dental and prescription drug coverage at the Town’s group rates. The Town does not supplement the cost of these plans directly, but recognizes the liability for the inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the retirees. As of July 1, 2014, there were fifteen retirees and spouses, and fifty-two active employees participating in the plan.

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

The following is a brief description of the retiree medical plan:

- a. Plan Types: Medical
Pre 65 retirees have their choice of Cigna POS Open Access, Cigna HMO Open Access, and Cigna HMO Open Access +.
Post 65 retirees must enroll in Cigna 65+.

- b. Eligibility **Group 1:**
Non-Police and Fire:
Hired before 7/1/2011
Age 60 or older with no minimum service
Hired on or after 7/1/2011
Age 65 or older with no minimum service

- Group 2:**
Police and Fire:
Hired before 7/1/2011
Age 60 or older with no minimum service; or
if vested* before 1/1/2012, age 45 with 20 years of service; or
if not vested* before 1/1/2012, then:

Years of Service on 1/1/2012	Minimum Eligible Age	Minimum Eligible Years of Service
At least 8 but less than 10 years	46	21
At least 6 but less than 8 years	47	22
At least 4 but less than 6 years	48	23
At least 4 years	49	24

*Group 2 employees are vested at age 60, or at 10 years of service

- Hired on or after 7/1/2011
Age 52.5 years old with 25 years of service

- c. Benefit/Cost Sharing The retiree is responsible for the full price of the medical premium.
- d. Spouse Benefit Yes
- e. Surviving Spouse Benefit Yes

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

f. Annual Medical Premiums 2015 July 2014-June 2015

	<u>Single</u>	<u>2-Person</u>	<u>Family</u>
Cigna POS Open Access	\$9,366.00	\$18,732.00	\$25,290.00
Cigna HMO Open Access	\$8,346.00	\$16,728.00	\$22,584.00
Cigna Open Access+	\$7,734.00	\$15,468.00	\$20,880.00
Cigna Union	\$8,290.80	\$17,602.20	\$20,991.60
65+ w/ Rx	\$4,628.40		
65+ No Rx	\$2,484.00		

Annual OPEB Cost and Net OPEB Obligation

7/1/2014-6/30/2015

1. Annual Required Contribution (ARC)	\$57,969
2. Interest on net OPEB Obligation	\$9,505
3. Adjustment to ARC	<u>(\$12,531)</u>
4. Annual OPEB Cost (Expense)	\$54,943
5. Contribution made (assumed middle of year)*	<u>(\$19,023)</u>
6. Increase in net OPEB Obligation	\$35,920
7. Net OPEB Obligation – beginning of year	<u>\$237,624</u>
8. Net OPEB Obligation – end of year	<u>\$273,544</u>

* Contribution made was assumed to equal Expected Benefit Payments

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010, 2011, 2012, 2013, 2014 and 2015 are as follow:

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>	Covered <u>Payroll</u>	OPEB Cost % <u>of Pay</u>
6/30/2010	\$67,793	42.8%	\$79,028	\$2,475,332	2.74%
6/30/2011	\$68,186	50.6%	\$112,696	\$2,537,215	2.69%
6/30/2012	\$74,422	41.5%	\$156,245	\$2,637,744	2.80%
6/30/2013	\$77,628	49.3%	\$195,636	\$2,743,254	2.80%
6/30/2014	\$80,828	48.1%	\$237,624	\$2,811,835	2.90%
6/30/2015	\$54,943	34.6%	\$273,544	\$2,721,976	2.00%

Methods and Assumptions

Interest Rate	4.00%
2014 Medical Trend Rates	9.00%
Ultimate Medical Trend Rate	5.00%
Year Ultimate Trend Rates Reached	2018

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

Actuarial Cost Method	Entry Age Normal
The remaining amortization period at 6/30/15	22.04
Annual Payroll Increase	2.50%

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 14
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Other Post-Employment Benefits
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b-a/c)
7/1/2008	\$ -	\$ 514,809	\$ 514,809	0.00%	\$ 2,414,958	21.30%
7/1/2011	\$ -	\$ 601,730	\$ 601,730	0.00%	\$ 2,637,744	22.80%
7/1/2014	\$ -	\$ 439,119	\$ 439,119	0.00%	\$ 3,215,586	13.66%

The note to the required supplementary information is an integral part of this statement.

EXHIBIT 15
TOWN OF PETERBOROUGH
Schedule of the Town's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System
For the Fiscal Year Ended June 30, 2015

	Fiscal Year 2015	Fiscal Year 2014
Town's proportion of the net pension liability	0.1315%	0.1342%
Town's proportionate share of the net pension liability	\$ 4,936,991	\$ 5,775,826
Town's covered employee payroll	\$ 3,215,586	\$ 3,105,679
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	153.53%	185.98%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.82%

The note to the required supplementary information is an integral part of this statement.

EXHIBIT 16
TOWN OF PETERBOROUGH
Schedule of Town Contributions
New Hampshire Retirement System
For the Fiscal Year Ended June 30, 2015

	Fiscal Year 2015	Fiscal Year 2014
Contractually required contribution	\$ 490,587	\$ 470,043
Contributions in relation to the contractually required contribution	\$ (490,587)	\$ (470,043)
Contribution deficiency	\$ -	\$ -
Town's covered-employee payroll	\$ 3,215,586	\$ 3,105,679
Contributions as a percentage of covered-employee payroll	15.26%	15.13%

The note to the required supplementary information is an integral part of this statement.

TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2015

The Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of Town Contributions are meant to present related information for ten years. Because this is the first year that the Town has adopted GASB Statement No. 68 and presented this information, only two years are reported. An additional year's information will be added each year until there are ten years presented.

COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 17
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special Revenue Funds								Capital Project Fund	Total
	Library	Pay As You Throw	Recreation Revolving	Conservation Commission	Cemetery Maintenance	PEG	West Peterborough TIF	Downtown TIF	Community Center Renovations	
ASSETS										
Cash and cash equivalents	\$ 133,657	\$ 14,922	\$ 67,107	\$ 114,353	\$ 62,183	\$ 32,488	\$ 763,999	\$ 181,614	\$ 12	\$ 1,370,335
Investments	947,961	-	-	-	25,952	-	-	-	-	973,913
Accounts receivable	-	5,913	-	-	270	-	-	-	-	6,183
Inventory	-	9,196	-	-	-	-	-	-	-	9,196
Total assets	<u>\$ 1,081,618</u>	<u>\$ 30,031</u>	<u>\$ 67,107</u>	<u>\$ 114,353</u>	<u>\$ 88,405</u>	<u>\$ 32,488</u>	<u>\$ 763,999</u>	<u>\$ 181,614</u>	<u>\$ 12</u>	<u>\$ 2,359,627</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 51	\$ 4,794	\$ 1,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,140
Accrued salaries and benefits	9,735	-	6,079	-	1,211	388	-	-	-	17,413
Interfund payable	-	-	-	-	2,350	-	-	4,421	-	6,771
Total liabilities	<u>9,786</u>	<u>4,794</u>	<u>7,374</u>	<u>-</u>	<u>3,561</u>	<u>388</u>	<u>-</u>	<u>4,421</u>	<u>-</u>	<u>30,324</u>
Deferred inflows of resources:										
Deferred revenue	-	-	500	-	450	-	150,054	52,662	-	203,666
Fund balances:										
Restricted	1,071,832	-	-	-	-	-	-	-	12	1,071,844
Committed	-	25,237	59,233	114,353	84,394	32,100	613,945	124,531	-	1,053,793
Total fund balances	<u>1,071,832</u>	<u>25,237</u>	<u>59,233</u>	<u>114,353</u>	<u>84,394</u>	<u>32,100</u>	<u>613,945</u>	<u>124,531</u>	<u>12</u>	<u>2,125,637</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,081,618</u>	<u>\$ 30,031</u>	<u>\$ 67,107</u>	<u>\$ 114,353</u>	<u>\$ 88,405</u>	<u>\$ 32,488</u>	<u>\$ 763,999</u>	<u>\$ 181,614</u>	<u>\$ 12</u>	<u>\$ 2,359,627</u>

EXHIBIT 18
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds							Capital Project Fund	Total	
	Library	Pay As You Throw	Recreation Revolving	Conservation Commission	Cemetery Maintenance	PEG	West Peterborough TIF	Downtown TIF		Community Center Renovations
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,106	\$ 111,670	\$ -	\$ 411,776
Charges for services	11,159	73,716	115,610	-	-	-	-	-	-	200,485
Miscellaneous	132,731	79	21,146	2,462	11,119	25,749	1,413	302	3,593	198,594
Total revenues	<u>143,890</u>	<u>73,795</u>	<u>136,756</u>	<u>2,462</u>	<u>11,119</u>	<u>25,749</u>	<u>301,519</u>	<u>111,972</u>	<u>3,593</u>	<u>810,855</u>
EXPENDITURES										
Current:										
General government	-	-	-	-	84,164	18,491	-	-	-	102,655
Sanitation	-	72,901	-	-	-	-	-	-	-	72,901
Culture and recreation	84,860	-	148,562	-	-	-	-	-	166,628	400,050
Conservation	-	-	-	7,813	-	-	-	-	-	7,813
Total expenditures	<u>84,860</u>	<u>72,901</u>	<u>148,562</u>	<u>7,813</u>	<u>84,164</u>	<u>18,491</u>	<u>-</u>	<u>-</u>	<u>166,628</u>	<u>583,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,030</u>	<u>894</u>	<u>(11,806)</u>	<u>(5,351)</u>	<u>(73,045)</u>	<u>7,258</u>	<u>301,519</u>	<u>111,972</u>	<u>(163,035)</u>	<u>227,436</u>
Other financing sources (uses):										
Transfers in	20,795	-	16,236	-	72,078	-	-	-	33,644	142,753
Transfers out	(44,115)	-	(13,288)	-	(9,660)	-	(247,552)	(77,736)	-	(392,351)
Total other financing sources and uses	<u>(23,320)</u>	<u>-</u>	<u>2,948</u>	<u>-</u>	<u>62,418</u>	<u>-</u>	<u>(247,552)</u>	<u>(77,736)</u>	<u>33,644</u>	<u>(249,598)</u>
Net change in fund balances	35,710	894	(8,858)	(5,351)	(10,627)	7,258	53,967	34,236	(129,391)	(22,162)
Fund balances, beginning	1,036,122	24,343	68,091	119,704	95,021	24,842	559,978	90,295	129,403	2,147,799
Fund balances, ending	<u>\$ 1,071,832</u>	<u>\$ 25,237</u>	<u>\$ 59,233</u>	<u>\$ 114,353</u>	<u>\$ 84,394</u>	<u>\$ 32,100</u>	<u>\$ 613,945</u>	<u>\$ 124,531</u>	<u>\$ 12</u>	<u>\$ 2,125,637</u>

EXHIBIT 19
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 5,594,003	\$ 5,608,560	\$ 14,557
Land use change	10,000	-	(10,000)
Timber	5,200	2,544	(2,656)
Excavation	-	425	425
Payments in lieu of taxes	32,391	28,439	(3,952)
Interest and penalties on delinquent taxes	130,000	139,269	9,269
Total taxes	5,771,594	5,779,237	7,643
Licenses, permits and fees:			
Business licenses and permits	-	915	915
Motor vehicle permits	932,200	965,273	33,073
Building permits	25,000	42,978	17,978
Other	850	18,536	17,686
Total licenses, permits and fees	958,050	1,027,702	69,652
Intergovernmental:			
State sources:			
Meals and rooms distributions	312,069	312,069	-
Highway block grant	163,994	165,508	1,514
State and federal forest land	167	2,270	2,103
Flood control reimbursement	51,141	49,255	(1,886)
Bridge aid	272,000	233,098	(38,902)
Federal sources:			
Police grant	1,800	1,441	(359)
Generator grant	-	21,460	21,460
FEMA	-	21,558	21,558
Department of Interior	-	1,719	1,719
Department of Safety	-	1,457	1,457
Other government sources	178,707	176,655	(2,052)
Total intergovernmental	979,878	986,490	6,612
Charges for services:			
Income from departments	183,503	291,908	108,405
Miscellaneous:			
Sale of property	5,000	6,871	1,871
Interest on investments	10,000	17,985	7,985
Rents	-	17,496	17,496
Fines and forfeits	-	1,969	1,969
Insurance dividends and reimbursements	332,841	365,067	32,226
Contributions and donations	-	159,527	159,527
Other	250,151	17,610	(232,541)
Total miscellaneous	597,992	586,525	(11,467)
Other financing sources:			
Transfers in:			
Expendable trust fund	206,320	242,598	36,278
Nonmajor funds	463,345	408,651	(54,694)
Total other financing sources	669,665	651,249	(18,416)
Total revenues and other financing sources	9,160,682	\$ 9,323,111	\$ 162,429
Use of fund balance to reduce taxes	325,000		
Total revenues, other financing sources and use of fund balance	\$ 9,485,682		

EXHIBIT 20
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Election and registration	-	158,558	150,448	-	8,110
Financial administration	950	713,352	778,492	21,893	(86,083)
Legal	-	75,000	77,670	-	(2,670)
Planning and zoning	-	320,733	310,784	-	9,949
General government buildings	-	327,596	305,801	34,100	(12,305)
Insurance, not otherwise allocated	-	89,134	87,505	-	1,629
Other	77,989	215,712	241,378	28,452	23,871
Total general government	78,939	1,900,085	1,952,078	84,445	(57,499)
Public safety:					
Police	15,000	1,583,433	1,549,389	25,507	23,537
Ambulance	-	39,488	39,488	-	-
Fire	-	534,018	543,181	-	(9,163)
Emergency management	-	18,929	34,863	-	(15,934)
Total public safety	15,000	2,175,868	2,166,921	25,507	(1,560)
Highways and streets	266,437	1,663,582	1,766,465	135,454	28,100
Sanitation:					
Solid waste disposal	-	321,428	321,517	-	(89)
Solid waste clean-up	-	63,240	59,387	-	3,853
Total sanitation	-	384,668	380,904	-	3,764
Welfare	1,000	153,770	129,133	-	25,637
Culture and recreation:					
Parks and recreation	2,550	542,779	482,385	-	62,944
Public library	-	603,627	566,450	-	37,177
Other	-	1,000	1,650	-	(650)
Total culture and recreation	2,550	1,147,406	1,050,485	-	99,471
Conservation	-	3,050	2,561	-	489
Debt service:					
Principal	-	393,530	373,577	-	19,953
Interest	-	189,224	197,396	-	(8,172)
Capital leases	-	163,755	100,702	-	63,053
Total debt service	-	746,509	671,675	-	74,834
Capital outlay:					
Machinery, vehicles and equipment	-	572,341	613,940	-	(41,599)
Buildings	-	80,000	70,004	-	9,996
Improvements other than buildings	-	422,000	434,642	-	(12,642)
Total capital outlay	-	1,074,341	1,118,586	-	(44,245)
Other financing uses:					
Transfers out:					
Expendable trust funds	-	193,500	187,500	-	6,000
Nonmajor funds	-	42,903	71,314	-	(28,411)
Total other financing uses	-	236,403	258,814	-	(22,411)
Total encumbrances, appropriations, expenditures and other financing uses	\$ 363,926	\$ 9,485,682	\$ 9,497,622	\$ 245,406	\$ 106,580

EXHIBIT 21
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

Unassigned fund balance, beginning, as restated, see Note III.D.		\$ 960,935
Changes:		
Unassigned fund balance used to reduce tax rate		(325,000)
Budget summary:		
Revenue surplus (Exhibit 19)	\$ 162,429	
Unexpended balance of appropriations (Exhibit 20)	106,580	
Budget surplus		269,009
Decrease in nonspendable fund balance		66,702
Decrease in restricted fund balance		1,420
Unassigned fund balance, ending		\$ 973,066

Exhibit 22
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Pass Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State of New Hampshire Department of Resources and Economic Development			
Cooperative Forestry Assistance	10.664	12-DG-114200004-128	\$ 1,965
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the State of New Hampshire Department of Safety			
Highway Planning and Construction	20.205	22117	1,457
State and Community Highway Safety	20.600	315-15A-195	7,356
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed Through the State of New Hampshire Department of Environmental Services			
Water and Wastewater Disposal Systems for Rural Communities, Recovery Act: Wastewater Treatment Facility Upgrade	66.458	CS-330081-03	1,089,135
U.S. DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT			
Passed through the State of New Hampshire Department of Safety			
Disaster Grants - Public Assistance	97.036	FEMA-4209-DR-NH	21,558
Emergency Management Performance Grants	97.042	2013-EP-00057	21,460
Total ARRA			1,089,135
Total Non-ARRA			53,796
GRAND TOTAL			\$ 1,142,931

TOWN OF PETERBOROUGH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Peterborough under programs of the federal government for the fiscal year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town, it is not intended to, and does not, present the financial position or changes in net position of the Town of Peterborough.

2. Summary of Significant Accounting Policies

Expenditures included on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Board of Selectmen
Town of Peterborough
Peterborough, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Peterborough, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 21, 2016

Roberts & Greene, PLLC



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

To the Members of the Board of Selectmen
Town of Peterborough
Peterborough, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Town of Peterborough's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2015. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the Major Federal Program

In our opinion, the Town of Peterborough, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Town of Peterborough is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

March 21, 2016

Roberts & Greene, PLLC

**TOWN OF PETERBOROUGH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section I – Summary of Auditor’s Results

Financial Statements

1. The auditor’s report issued contained unmodified opinions on the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information.
2. There were no material weaknesses identified in the internal control over financial reporting.
3. There were no significant deficiencies identified in the internal control over financial reporting that were not considered to be material weaknesses.
4. There was no noncompliance material to the financial statements noted. There was one other matter communicated to management as finding 2015-01.

Federal Awards

1. There were no material weaknesses identified in the internal control over the major program.
2. There were no significant deficiencies identified in the internal control over the major program that were not considered to be material weaknesses.
3. The auditor’s report issued on compliance for the major program contained an unmodified opinion.
4. There were no audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
5. The program tested as a major program was CFDA No. 66.458: Water and Wastewater Disposal Systems for Rural Communities.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. The Town of Peterborough did not qualify as a low-risk auditee.

Section II – Financial Statement Findings

2015-01 Capital Asset Policy

Criteria: Governmental Accounting Standards Board Statement No. 34: Basic Financial Statements, establishes guidelines over the inventorying and depreciating of capital assets of

the Town. GASB 34 requires that any capital asset that is in service must be depreciated each year it is in service. Therefore, there should be no fully depreciated assets still in service.

Condition: The Town is reporting fully depreciated assets that are still in service.

Cause: The Town's policy for capital assets does not allow for the prospective adjustment to remaining useful lives of assets that are determined to be in service beyond the useful life initially set in accordance with the Town's policy.

Effect: The Town's policy does not allow for full compliance with GASB 34 related to capital asset depreciation.

Recommendation: The Town should revise its policy to include an annual evaluation of its capital asset lives by management in order to identify any assets for which initial estimates of lives should be changed. For those assets, if it is known that the asset will continue to be in service beyond the remaining useful life, then the policy should allow for management to adjust the useful lives of those assets prospectively.

Management's Response: It would not be feasible for the Town to implement your recommendation. The Town does not have funds available to obtain a new fixed asset package to accomplish the task as well as the funds for additional staff hours to accomplish it. Town management will review and revise the current fixed asset policy on the useful lives of the capital assets. Any changes to the policy would be applied to future assets.

Section III – Federal Award Findings and Questioned Costs

NONE